



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: November 17, 2008

Approved

Deanne Juba

Date

11/18/08

COUNCIL DISTRICT: CITY-WIDE
SNI AREA: All

SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE DIRECTOR OF HOUSING TO ACCEPT A CALHOME PROGRAM GRANT FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE MULTI-SOURCE HOUSING FUND

RECOMMENDATION

It is recommended that the City Council:

A. Adopt a resolution:

1. Authorizing the Director of Housing to accept a \$1,500,000 CalHome Program grant from the California Department of Housing and Community Development (HCD). This grant will fund the rehabilitation of homes owned by low-income residents within existing SNI areas (\$1,000,000) and fund Welcome Home, a second mortgage program for low-income, first-time homebuyers (\$500,000).
2. Authorizing the Director of Housing to execute all documents necessary to implement the two programs.

B. Adopt the following amendments to the FY 2008-2009 Appropriation Ordinance and Funding Sources Resolution in the Multi-Source Housing Fund (Fund 448):

1. Increase the CalHome (Rehabilitation) Program appropriation by \$1,000,000.
2. Increase the CalHome (Homebuyer) Program appropriation by \$500,000.
3. Increase the estimate for Grant Revenue in the amount of \$1,500,000.

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OUTCOME

Acceptance of this grant by the City Council will increase available funding for the owner-occupied Housing Rehabilitation Program by \$1,000,000 and assist up to an additional 37 low-income households in the SNI areas. This grant will also assist 20 lower-income families with \$500,000 of down payment assistance funds.

BACKGROUND

The Housing Department's Rehabilitation Program provides loans and grants to over 300 low-income homeowners each year for repairs aimed at improving the overall health and safety conditions of their homes. The City also provides deferred down payment assistance loans to hundreds of low- and moderate-income homebuyers each year. The Department of Housing actively pursues alternate funding for the Rehabilitation and First-time Homebuyer programs in order to help leverage the City's primary funding source for affordable housing – the Low and Moderate Income Housing Fund (20% Fund). With the passage of the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C), State CalHome funds have been made available, on an annual basis, to cities and counties throughout California. These funds are awarded for a variety of housing needs through a competitive application process.

The Department's Rehabilitation Program received a total of \$3,250,000 in CalHome grant funds between 2001 and 2005. In 2006, the Department of Housing received \$1 million in competitive grant funds from the State, of which \$500,000 was dedicated to the City's owner-occupied rehabilitation program and \$500,000 to the City's Welcome Home first-time homebuyer program. In June of 2008, the Housing Department submitted an application for \$1.5 million in Proposition 1C funding, under the 2008 Notice Of Funding Availability (NOFA). On October 14th of this year, the Department received notification that the City's application was awarded as submitted.

ANALYSIS

The CalHome Program funds awarded to the City will be used for two purposes. The first is to provide non-interest bearing, deferred payment loans to low-income homeowners in Strong Neighborhood Initiative (SNI) areas. These loans will be used to rehabilitate approximately 30 single-family residences to mitigate critical health and safety conditions, provide handicapped accessibility improvements and improve energy efficiency. The loans are made to low-income households. The maximum loan permitted under this grant is \$60,000. In addition to funding current rehabilitation projects, the City will be allowed to use any loan repayment income for future CalHome-eligible purposes.

The other use of the funds will be to provide low-interest deferred repayment loans to up to 20 low-income first-time homebuyers. Under this program, the City's maximum homebuyer loan amount may not exceed \$25,000 per unit and shall accrue 3% simple interest for 30 years

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through the Welcome Home Program. Loan repayments will be paid to the City and used for future CalHome eligible purposes.

HCD requires approval by the City Council to accept the CalHome grant funds. In addition to approval to accept the grant funds, the Housing Department is requesting that the Director of Housing be authorized to negotiate and execute the grant agreement between the City and HCD.

EVALUATION AND FOLLOW UP

Activity regarding the Housing Department's Single Family Rehabilitation Program is provided in a quarterly report on the Department's website.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-Mail Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets the above criteria requiring additional notification. Use of all new grant funds are included in the City's Consolidated Plan annual updates, which follows City policy on public outreach, input, and feedback. Both programs that will use these funds provide on-going marketing and outreach to the public through the Housing website, partner agencies, and at public meetings. This memorandum will be posted on the City's Council Agenda Website for the December 9, 2008 Council Meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

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FISCAL/POLICY ALIGNMENT

These actions are consistent with the City's Council-approved *Five –Year Housing Investment Plan, FY 2007/08-2011/12*, which describes the City's plan to continue to aggressively pursue funding under Proposition 1C to support San José's affordable housing efforts.

COST IMPLICATIONS

1. **AMOUNT OF RECOMMENDATION/PROGAM GRANT:** **\$1,500,000**

2. **COST ELEMENTS:**

<u>USES:</u>	<u>AMOUNT</u>
Downpayment Assistance	\$500,000
Owner-Occupied Rehabilitation	\$1,000,000
TOTAL	\$1,500,000

3. **SOURCE OF FUNDING:** Fund 448-the Multi-Source Housing Fund

4. **FISCAL IMPACT:** No ongoing fiscal impact

BUDGET REFERENCE

The table below identifies the fund and appropriation impacted by the grant award that is recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2008-2009 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
448	3226	CalHome (Rehabilitation) Program	2,468,246		XI-68	10/21/08 28422
448	3629	CalHome (Homebuyer) Program	500,000		XI-68	6/24/08 28349

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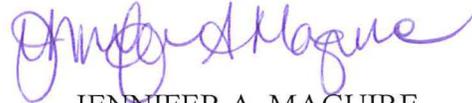
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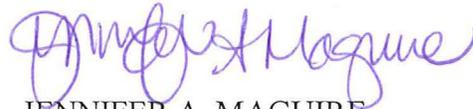
CEQA

Not a project.


LESLYE KRUTKO
Director of Housing


JENNIFER A. MAGUIRE
Budget Director

I hereby certify that there will be available for appropriation in the Multi-Source Housing Fund in the Fiscal Year 2008-2009 monies in excess of those heretofore appropriated therefrom, said excess being at least \$1,500,000.


JENNIFER A. MAGUIRE
Budget Director